

RD AN No. 3460 (1965-E)
March 29, 1999

TO: State Directors
Rural Development

ATTENTION: MFH Program Directors, Coordinators and Rural
Development Managers

FROM: Jan E. Shadburn
Administrator
Rural Housing Service

SUBJECT: Revised Reporting and Related Requirements
for the MFH Prepayment Process

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) provides guidance for reporting to the Office of Rental Housing Preservation (ORHP) and revises Guide Letter 1965-E-1. Additionally, this AN establishes the requirement for obtaining ORHP concurrence prior to the acceptance of a prepayment of a Multi-Family Housing (MFH) loan and clarifies the required use of appraisals during the prepayment process.

COMPARISON WITH PREVIOUS AN:

This AN discusses the use of appraisals during the incentive offer and supplements advice provided in Rural Development AN No. 3381 (1965-E) dated January 23, 1998.

EXPIRATION DATE:
March 31, 2000

FILING INSTRUCTIONS:
Preceding RD Instruction 1965-E

IMPLEMENTATION RESPONSIBILITIES:

1. Revised reporting requirements.

Guide Letter 1965-E-1 is revised to include a status to indicate ORHP concurrence prior to an incentive offer to a borrower. The Guide Letter is further revised to include a status to indicate ORHP concurrence prior to the acceptance of a prepayment from a borrower. A copy of Guide Letter 1965-E-1 will serve as documentation for the case file of ORHP concurrence.

To aid the concurrence process, ORHP recommends that e-mail be used to transmit the guide letter and the incentive calculation worksheet. Other documents may be faxed if necessary.

2. Prior approval of all prepayments.

Prior to the acceptance of the final payment for the last remaining loan of any MFH project, the State Office will request advice and concurrence from ORHP. Concurrence decisions should be requested as soon as it appears a prepayment is likely. Prior concurrence is critical to assure consistency in prepayment acceptance practices.

To obtain concurrence from ORHP, submit Guide Letter 1965-E-1 and a completed Exhibit B of Rural Development Instruction 1965-E. It is important that items 7, 11, 14, 16 and 20 of Exhibit B are fully addressed. No payoff may be accepted from a borrower for a final loan payment without documentation in the case file of ORHP concurrence.

3. Use of appraisals during the prepayment process.

Rural Development Instruction §1965.213 and the Housing Act of 1949 require the Agency to offer an incentive to extend the restrictive-use when a borrower is eligible to receive incentives. If preliminary discussions with a borrower indicate they have no interest in receiving incentives to stay in the program, a general incentive offer may be made in accordance with §1965.213(d) without the use of an appraisal. The incentive offer notice must conform with the requirements of §1965.213 and offer to fully determine a specific value at the borrower's request. If the borrower rejects the offer as expected, the Agency will proceed to the next steps under § 1965.215.

The borrower's intentions must be clear and well documented in writing. If the borrower indicates to the Agency that they would consider an incentive offer, a specific offer must be fully developed in accordance with Rural Development Instruction 1965-E, using an appraisal. All appraisals will be developed using an "as is" market value of the property as unsubsidized conventional rental housing.

ORHP concurrence is required prior to issuing a general incentive offer. The request for concurrence is to include an explanation of how the borrower conveyed their intention not to accept an incentive. E-mail may be used to submit the explanation. However, an incentive calculation worksheet need not be submitted to ORHP, unless requested.

If you have any questions, please contact ORHP at (202) 720-1611 or (202) 720-1940.

Attachment: Attached to this AN is a copy of the revised Guide Letter. The official version of the Guide Letter will be issued separately on a Weekly Procedure Notice.